

Innovation Zones Planning Grants Discussion Paper and Application Procedures

Background:

This proposal outlines a first step toward a potential “Innovation Zones” economic strategy linking next-generation skills, research institutions, globally competitive companies, and state infrastructure investments. This policy bridges the gap between “target industries,” as an industrial strategy, and “economic clusters,” as a geographic concept. Target Industries, Economic Clusters, and Innovations Zones could be complementary policy options if the details of an Innovation Zone policy can be established. It is widely recognized in the life sciences, for example, that proximity of similar firms improves competitiveness. Many of the world’s most successful companies operate in concentrated areas that combine highly skilled workers, significant research institutions, leading edge companies, and substantial public resources. Success in these areas of concentrated skills and innovative companies is not defined by industry alone. Increasing interest in “Research Parks” is another example of an innovation zone strategy.

Successful companies in innovation zones may or may not have direct supplier relations with each other. Firms in innovation zones benefit from concentrations of skilled workers, research capacity, advanced infrastructure, and “branding” as a great place to business. By providing opportunities for collaboration and face-to-face discussion, areas with these attributes capture intellectual power and realize economies of scale through inter-firm connections rather than firm size. Although prevalent in the life sciences, it is arguable that, regardless of the industry, innovation as a strategy relies on these personal, intellectual, and commercial concentrations of knowledge and creativity. This proposal is a step toward creating such concentrations of innovation throughout Washington.

The federal Workforce Innovation in Regional Economic Development (WIRED) initiative was a recent national effort to encourage regional partnerships around next-generation skill building and institutional change. This proposal builds on the spirit of that initiative by encouraging local collaborations to provide definition to some key elements of such strategies. While the national grants encouraged multi-state or multi-county proposals, the Innovation Zones Planning Grants should identify more concentrated areas of innovative activity. These concentrations are key to defining a state strategy for targeting investments in skills, research, and infrastructure.

Why Now?

- Washington is home to some creative activities around skill panels, targeted industries, and cluster planning. These activities could be unified around an economic and workforce vision that promotes concentrations of skills and business innovation.

- The Governor's vision, the Global Competitiveness Council, and the Life Science Discovery Fund suggest that promoting "innovation" is a central state strategy. Various Washington institutions have created lists of targeted industries for skill promotion, trade promotion, or other resources that relate to innovation. Yet there is no clear roadmap for directing state investments in the skills and infrastructure to promote the various target industries. As budget pressures increase, the need for thoughtful combining of resources in geographic areas is even more important.
- An Innovation Zone approach would suggest that one method to increase global competitiveness would be to more specifically direct investments in skill building, infrastructure, and other public resources into specific geographic areas with unique characteristics. Innovation Zones could be one category to which state funds are directed. To know whether a strategy like this makes sense, there must be some legitimacy attached to the zones. This proposal is in part an approach to developing consensus and interest in innovation and locally-concentrated investment by engaging local actors in planning.

Goal of the Proposal:

This proposal takes a key step toward a strategy of driving public resources toward areas with unique concentrations of innovative activity. This proposal is to provide incentives to local areas to research the feasibility of Innovation Zones to inform the 2006 Priorities of Government budget process and become a more comprehensive proposal for the 2007 legislative session. The goal is to provide incentives to a small, competitively selected group of local actors who will research the best way forward toward concentrations of skills, innovative companies, research institutions, and public entities.

To facilitate this research, CTED will make available five (5) grants of \$10,000 each to five local collaborations. These grants will be subject to a local match requirement.

Final products from these grants should involve collaboration with each of the following: (i) a public research institution, including universities, national labs, community colleges to demonstrate potential for technology transfer, (ii) an "innovative," anchor company as defined by ISO9000 certification or evidence of advanced technology adoption and work organization strategies, (iii) a public entity that can make supportive investments in the future, including cities, counties, ports, PUDs, or PDAs to, (iv) Workforce Development Council, (v) promoter of innovation and economic activity such as Economic Development Council, Washington Technology Center, SIRTl, Washington Manufacturing Service, or similar non-profit entities.

Eligible proposals should be submitted by Economic Development Councils or Workforce Development Councils.

Period of the grant is from June 16, 2006 to August 14, 2006. The short timeline is related to the need to inform the 2007 budget process, particularly the Priorities of

Government process, and the Governor's Economic Development Conference on September 7th.

Project Elements

Deliverables from the research grant include recommendations to shape a statewide Innovation Zones strategy based on the local areas specific situation. Specifically, final products from the Innovation Zones Planning Grants should include answers from local planning coalitions addressing the following questions:

- a. How can state policy define geographic areas that will constitute an "Innovation Zone"? Local collaborations should describe the innovation zone in their local area and how the definition of that area could be applied to similar areas in regions around the state. Criteria for demonstrating comparative advantage in a zone should include hard data such as location quotients and other measures of competitive success. Collaborations should strive for definitions of zone boundaries that are based on publicly available data and commonly used measures. Collaborations may need to supplement existing data with unique surveys of firms or workers to identify supplier relationships or skill needs within the zone. Such survey instruments cannot be proprietary and should be included in final submissions.

Example: a local area may be home to a skill panel for a key industry. That industry may be represented by two globally-competitive companies that are close to each other. And the two companies may be near a port. How would the boundaries of an Innovation Zone be drawn around such a constellation of economic actors? How could that boundary be described in a way that could be applied in other areas?

- b. What specific resources would be needed to facilitate innovation within the innovation zone? What are the potential labor supply and skill demands to promote these changes? Grantees will describe the specific types and levels of resources that would generate activity in the targeted sectors. Grantees should particularly provide information about how an industry or firm could be supported to develop next generation technologies or work processes and promote high skills. Groups should describe the strategies and resources that would enable innovation zones to create opportunities for individuals who live in or around the zone and face barriers to employment. To the extent data and information is available, final products should discuss the implications of additional innovation zone activity for: youth (ages 14-21) facing barriers to employment, dislocated workers, incumbent workers, and low-income

adults. What public resources could be used to eliminate barriers to innovation and to employment in innovative employers?

Example: an Innovation Zone may have a high concentration of medical instrument manufacturers. The next generation of products in that space might require specialized materials or design capacity. The Planning Grant would highlight this aspect of the future of the industry and suggest training investments and curriculum need, as well as strategies for tapping the supply of prospective workers in and around the innovation zone who face barriers to employment or re-employment.

- c. What specific technological advances are likely to be central to the economic future of the primary industry or industries in the Innovation Zone you are defining? This should be a brief explanation of the likely technological trajectory of the industry or industries and the infrastructure and workforce skills needs associated with that evolution. Discussion should explore product and process innovations and associated capital and skill changes.
- d. What policy changes in state or local investments or industry supports could be redirected or expanded to promote the success of the Innovation Zone.

Example: It may be that communication technologies emerge as a key component of Innovation Zone success and a planning group will recommend activity in that area. Recommendations for skills, infrastructure investment, marketing, research investments, etc. are possibilities.

Results of the grants will be shared with the Governor, related legislative committees, the Economic Development Commission, and the Global Competitiveness Council.

How to Apply

Proposals for the competitive grants will be evaluated on the basis of strong collaborative partners, significant comparative advantage in the industries involved, geographic and industrial diversity among the winning applications, and proposed strategy for addressing the questions above. Five local collaborations will be chosen for grants.

Applications should be brief (3-10 pages).

Applications should be submitted by Workforce Development Councils or Economic Development Councils.

Applications should have six components and will be scored on this basis:

1. Provide a general description of the area you consider a potential “Innovation Zone.” Describe the industries, labor market, potential collaborators. Discuss recent history of collaboration. This section is a narrative of your own design, intended to provide reviewers with evidence that the components of an Innovation Zone are likely to be found in a distinct area.
2. Describe the strategy and resources that will be used to define the geographic boundaries of the Innovation Zone.
3. Describe the strategy and resources that will be used to identify the resources that will foster economic activity within such a Zone. Provide particular discussion of the strategy to provide information about labor market and skill issues in the Zone.
4. Describe the strategy and resources that will be used to discuss the technological advances that will increase competitiveness of industries in the likely Zone.
5. Describe the strategy and resources that will be used to define public policy options in support of the workers and industries in the Zone.
6. Describe anticipated matching resources (including in-kind contributions).

Applications should be submitted electronically to: Colleen Kerr, Department of Community Trade and Economic Development, ColleenK@cted.wa.gov.

Questions should be addressed to ColleenK@cted.wa.gov .

Applications should be submitted by June 12, 2006.

Notification of grantees will be by June 16, 2006.

Final products will be due from grantees by August 14, 2006.